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INDIANA UTILITY  
REGULATORY COMMISSION

## Annual Report

# INDIANA TELEPHONE RELAY ACCESS CORPORATION FOR THE HEARING AND SPEECH IMPAIRED

For the fiscal year ended September 30, 2007

## InTRAC's 2007 Annual Report

The Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired ("InTRAC") continued to provide quality and efficient service in its fifteenth year of telephone relay services ("TRS") for hearing- and speech-impaired callers.

**Description of Services.** Beginning October 1, 1992, InTRAC began providing TRS to Indiana citizens through Sprint, its relay provider. TRS allows an individual who has a hearing or speech impairment to communicate over the telephone with a hearing individual who uses a standard telephone. Sprint provides this service through the operation of a Network Call Distribution system with 13 TRS centers nationwide. Sprint currently provides relay service to 31 states, the Commonwealth of Puerto Rico, New Zealand, and the Federal government. Individuals in Indiana with hearing or speech impairments can call these centers using a toll-free number (800-743-3333) or by dialing the three-digit number, 711. Persons with standard phones can also initiate calls to the center.

At the centers, specially trained relay operators receive the incoming calls from either a standard phone user or a deaf, hard of hearing, or speech impaired relay user. The operator then dials the desired number and connects the two telephone users. The operator reads aloud the text telephone message to the standard telephone caller and transmits that caller's oral responses back to the non-standard telephone user through the text telephone, computer, or video phone.

A variety of relay calls are provided to meet the variety of special needs in the deaf, hard of hearing, or speech impaired community. Those relay services include:

- **TTY** – If a person is deaf and does not voice, they use a text telephone.
- **VCO** – If a person is hard-of-hearing but is able to voice, they may use Voice Carry Over service.
- **CAPTEL (CAPTIONED TELEPHONE)** – If a person is hard-of-hearing but is able to voice, they may use this Enhanced VCO.
- **WebCapTel (Captioned Telephone on the Internet)** – If a person is hard-of-hearing and able to voice, they can use their standard telephone and their computer screen for Enhanced VCO on the internet.
- **HCO** – If a person can hear, but is not able to voice, they may use Hearing Carry Over.
- **SPEECH TO SPEECH** – If a person can hear but has difficulties with unclear speech.
- **SPANISH TO SPANISH** – If a person is deaf and needs their conversation understood in Spanish.
- **VIDEO RELAY SERVICE (VRS)** – If a person is deaf and using ASL, the interpreter/operator will appear on the screen of the computer or television and will place the call in the same way as a standard relay call.

- **INTERNET RELAY** – If a person is deaf, they use a computer to see what is typed by the operator (while the standard phone user speaks) and can see what the relay operator is typing, at the same time.
- **VOICE USER** – If a person uses a standard phone and wishes to speak with others who use special equipment to communicate.

Internet Relay (IP) and Video Relay Service (VRS) are extremely popular within the relay user community. In Indiana, IP Relay is accessed by going online and connecting to any of nine internet relay providers. In the same way as with the TTY, the user types the conversation on his or her computer which the relay operator voices to the standard phone user. Whatever the standard phone users says is then typed by the operator for the originating caller to read on his or her computer screen.

The VRS provides the deaf community an opportunity to use their primary form of communication – sign language. The users must have high speed internet connection ability and either a webcam or a videophone. The users go online to any of seventeen (17) video relay providers and see a live interpreter on their screen. The relay users then sign their conversations to the interpreter who voices the call for them. The standard phone users' responses are then signed back to the deaf user. This is real-time communication and a much more natural form of conversation.

The WebCapTel service is becoming increasingly popular with the hard of hearing. WebCapTel allows users to log onto a website over the internet and connect to an operator. The operator then calls the user on a standard telephone. Now the user can use their voice over the standard telephone but use their computer screen to view the text.

Currently, IP Relay, VRS, and WebCapTel are funded by the National Exchange Carriers Association (NECA) and not paid for by InTRAC. However, with the new 10-digit phone numbering system that the Federal Communications Commission is developing for calls over the internet, these types of relay calls will eventually be paid for by each state in the near future. If InTRAC were to pay for the 2006-2007 IP and VRS calls terminating within Indiana, the costs would be approximately \$7,000,000 in addition to TRS and CapTel costs currently funded by InTRAC.

The operators who staff the TRS centers are well trained. To be employed, each must pass an examination that covers spelling, typing, dictation, TRS procedures, certain aspects of American Sign Language, deaf culture, ethics, etiquette, and, a confidentiality statement.

InTRAC's TRS centers process several types of calls, including: local calls, intrastate long distance calls, interstate long distance, and international calls that originate in Indiana. Users of the centers can choose the carrier they wish to carry their long distance calls to the same extent those not using the centers to place calls may choose their long distance carriers.

No special charge for TRS is imposed on those who use the TRS centers. Neither the party originating nor the party receiving a call processed by the centers pays a surcharge for calls originating and terminating within the same toll-free, local calling area -- even though the call must pass through the TRS centers located throughout the country. Similarly, those who use the

centers to make long distance calls are charged rates no greater than the rates paid for functionally equivalent voice communication services.

Because InTRAC's relay services are processed through a Network Call Distribution system, and have the ability to automatically process calls through several TRS centers, it is unlikely that service will ever be disrupted by a cable cut, adverse weather or other event. Each TRS center provides TRS to Indiana callers 24-hours, seven days a week, 52 weeks a year, and each is equipped with state-of-the-art telecommunications equipment and software. Each center can receive messages from text telephones that use Baudot and ASCII codes and can automatically identify the type of incoming signals.

**Developments During the Year.** During InTRAC's 2007 fiscal year, the following activities occurred:

**FCC Recertification** – Every five years, the Federal Communications Commission requires states to become recertified to provide telephone relay service. InTRAC filed its Application for Renewal of TRS State Certification which included such information as: Contract Status; Funding Method; Operational, Technical, and Functional Standards; and Complaint Procedures and Remedies. This application is expected to be approved by June 2008.

**Relay Contract** – InTRAC released a Request for Information (RFI) to six (6) telephone relay providers. Three (3) responded and InTRAC reviewed costs per session Minute for TRS and CapTel; Outreach Budget; Financial Support and qualified personnel for major Indiana events; ability to provide CapTel and 2-Line CapTel; Video Relay; Internet Relay; Wireless Relay; Disaster Recovery; and redundancy of relay centers. After review, the Board of Directors voted to award a two year contract with Sprint Relay through October, 2009.

**WebCapTel** – A new relay service was added for those who use CapTel relay, with an option to use the internet. WebCapTel allows users to log onto a website over the internet and connect to an operator. The operator then calls the user on a standard telephone. Now the user can use their voice over the standard telephone, but use their computer screen to view the text. This eliminates the need for any special equipment and allows the CapTel user to change the font or background on the screen to help them view the text.

**Equipment Loaner Program** – InTRAC initiated an equipment loaner program on March 6, 1997 for hearing- and speech-impaired persons unable to afford a TTY. Through the end of this fiscal year, September 30, 2007, we have lent a total of 3,604 pieces of equipment. InTRAC repairs and replaces the units as necessary. As technology improves, InTRAC is committed to providing the most updated equipment to individuals who have a financial need in order that they too are able to utilize the relay service.

Currently, InTRAC lends a Superprint 4425 TTY; a multipurpose Uniphone 1140 for VCO/HCO/TTY users; a Dialogue VCO for either amplification or VCO users; CapTel units for Enhanced VCO captioning relay calls; and special TTYs for the Deaf Blind by request. Distribution of D-Link DVC 1000 video phone has been discontinued as of October 2007. Citizens of Indiana earning below the median income can apply to receive equipment on loan from InTRAC.

**InTRAC Employees** – As activities have increased regarding TRS within Indiana, the Board approved to hire an Assistant Director. Additionally, InTRAC has taken over the outreach responsibility from the current TRS provider and hired a full time community relations employee. Currently, InTRAC has three employees to provide the citizens of Indiana quality telephone relay service.

**Service Volume.** In the twelve months ending September 30, 2007, InTRAC processed 2,247,848 minutes of TRS calls and 523,873 minutes of CapTel calls. The number of minutes for TRS calls has decreased over the last three years. However, the number of minutes for CapTel calls continues to increase at a very high rate. Traditional TRS use continues to surpass all other forms of relay service

The Chart below shows the number of minutes of use by InTRAC's TRS and CapTel centers and the comparison over the last three years.

<b>TRS Year of Operation</b>	<b>Inbound Calls</b>	<b>Outbound Calls</b>	<b>Session Minutes</b>
2005	826,459	1,092,097	3,627,518
2006	670,201	1,000,452	2,772,500
2007	557,170	712,949	2,247,848
<b>CapTel Year Of Operation</b>	<b>Data Calls</b>	<b>Voice Calls</b>	<b>Session Minutes</b>
2005	45,591	14,633	175,579
2006	94,643	23,379	346,577
2007	154,889	26,800	523,873

**Complaint Filing.** On July 1, 2007, InTRAC filed its Annual Report of Complaints with the FCC. Users of InTRAC's relay centers have been extremely pleased with the overall quality of the service. The 894,638 calls processed by the centers during June 2006 – May 2007 resulted in 70 complaints – less than one thousandth of one percent (0.001%).

**Service Levels.** The FCC has established quite stringent operational, technical and functional standards for telecommunications relay services. For example, 85% of the calls received in the relay center must be answered in ten seconds or less. During 2007, InTRAC's numbers exceeded the FCC performance standard, with 92.5% of the calls answered in ten seconds or less. The average answer time for all calls was 2.10 seconds. A second important FCC requirement for relay service providers is that the grade of service must be a minimum of PO1. This means that if one hundred people simultaneously call the relay center during the busiest period of the day, only one call would be blocked due to the lack of available telephone equipment. InTRAC's results have continuously exceeded this requirement.

**Promotional Activities.** An important part of InTRAC's mission is to ensure that Indiana citizens are aware of the relay services that InTRAC provides. Toward that end, InTRAC has engaged in a number of promotional activities. InTRAC contacted over 16,000 people at 78 events such as conferences, trade shows, town hall meetings, and other informational meetings in 26 cities. Additionally, Indiana residents were informed about Relay Indiana services by radio and television advertisements.

- **Radio Advertisements.** InTRAC continued to advertise on WIBC (93.1FM) and Network Indiana which covers 65 radio stations within Indiana. These advertisements explain telephone relay service and specifically focus on the use of CapTel. These ads catch the attention of the listener as they use television characters from the 1960's that experience hearing loss and problems communicating on the telephone. The ads explain how the captioned telephone can help users increase their self esteem and regain their independence.
- **Television Advertisements.** InTRAC continued to advertise on SkyTrak13 Weather Channel in 2007. This ad has captioning for the *hearing*. The commercial encourages viewers to "not hang up" on relay calls. A new CapTel ad depicts a hard of hearing person trying to use the phone but cannot hear to make his appointment. Information is then given to the viewer how to obtain a CapTel phone and learn more about the service. In addition, a scrolling banner runs daily informing viewers to learn more about the telephone relay service on InTRAC's website at [www.relayindiana.com](http://www.relayindiana.com)
- **Town Hall Meetings.** At these meetings, InTRAC's relay services are explained to the hearing- and speech-impaired persons, employees of service agencies and businesses that may need to communicate with those who are hearing- or speech-impaired. During the past fiscal year, InTRAC held town hall meetings in the following Indiana communities: Bloomington, Columbia City, Columbus, Danville, Evansville, Fishers, Fort Wayne, , Greenfield, Greenwood, Indianapolis, Kokomo, Merrillville, Milford, Mishawaka, Monticello, New Albany, Pendleton, Richmond, Rockville, Seymour and South Bend.
- **Other Informational Meetings.** In addition to town hall meetings, InTRAC has also held a number of meetings at educational institutions, service agencies, and businesses in Indiana. During the last fiscal year, informational meetings were held at seven Universities and Colleges; ten Deaf and Hearing Schools; nine State and Non-Profit Agencies; and seven Deaf Clubs.
- **Conferences and Trade Shows.** To make others aware of InTRAC's relay services, InTRAC also participated in a number of conferences and trade shows held throughout Indiana. Over 11,000 persons received Relay Indiana information at 13 various conferences and trade shows during the last fiscal year at the ISD Homecoming, Deaf Sporting Events; National Deaf Basketball Tournament, Indiana Association for the Deaf, Indiana Certified Registry Interpreters for the Deaf; ASL Expo; ASL Retreat; Parent Teacher Conference Organization Day; ISDAA Reunion; and Indiana Deaf Education Conference.

- **Outreach Personnel** - InTRAC hired a member of the Deaf community to travel throughout the state to communicate the role of InTRAC, the telecommunications providers, Federal Communications Commission rules and orders, and the relay service as well as support the expanding office operations. He then provides feedback to InTRAC about concerns of the Deaf and hard of hearing community regarding Relay Indiana or the Equipment Distribution Program.
- **CapTel Outreach** - InTRAC continues to contract with an individual to provide community outreach for the CapTel units and the captioning service through relay. As the outreach has increased, so have the number of CapTel units being provided to citizens. This person is providing presentations to a variety of clubs, churches, nursing homes, disability expos, and hospitals. During the year, nearly 4,300 people were reached at 23 events. As more organizations learn about our CapTel presentations, we are now being contacted and invited to attend many more events.

**Annual Meeting.** On December 12, 2007, InTRAC held its annual meeting for the fiscal year ended September 30, 2007. To maintain continuity in its membership, InTRAC's directors are elected to staggered three-year terms. Consequently, only two of the seven director's seats are up for election at each annual meeting. Re-elected to a three-year term were Alan Matsumoto, Embarq and Cindy Taylor, Ligonier Telephone

**Board of Directors.** Members of the Board are as follows: Duane Hazelbaker, AT&T, President; Martha Niehaus, Perry Spencer R.T.C., Secretary; Alan Matsumoto, Embarq, Treasurer; Cindy Taylor, Ligonier Telephone; Charles F. Coon, Washington County RTC; Neil Krevda, Verizon; and Jim Van Manen, Director, Deaf and Hard of Hearing Services, State of Indiana.

**Test of Surcharge Collected and Remitted by Members.** InTRAC's accounting firm, Kehlenbrink, Lawrence & Pauckner, has been engaged to perform tests of the books and records of the local exchange carriers and cellular providers that are members of InTRAC, to determine whether the members are collecting and remitting properly the surcharge that funds InTRAC's operations. Since the surcharge was enacted, tests have been performed of the books and records of several local exchange carriers and cellular providers. Additional tests were conducted during the last fiscal year. These reviews have revealed that the members are collecting and remitting the surcharge correctly.

**Audit of Sprint Billings.** Telecommunication relay services are provided in Indiana on behalf of InTRAC under a contract with Sprint Services. InTRAC pays Sprint based upon the number of minutes of relay service that Sprint provides. Under the contract with Sprint, InTRAC has the right to audit and test Sprint's books and records to ensure that InTRAC is billed properly for the services that Sprint provides. As a result, InTRAC employed the accounting firm of Kehlenbrink, Lawrence & Pauckner to perform various tests of Sprint's billing system. These tests revealed no failures in the systems for generating the billing to InTRAC.

**Financial Statements.** Financial statements prepared by the independent accounting firm of Dunbar, Cook & Shephard meeting the requirements of Ind. Code § 8-1-2.8-21(6)(D) are attached hereto and incorporated herein.

# ***InTRAC***

*Indiana Telephone Relay Access Corporation  
for the Hearing and Speech Impaired*

## **AUDITED FINANCIAL STATEMENTS**

**September 30, 2007 and 2006**



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Indiana Telephone Relay Access Corporation  
for the Hearing and Speech Impaired  
Indianapolis, Indiana

We have audited the accompanying statements of financial position of **Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired (InTRAC)**, a nonprofit organization, as of September 30, 2007 and 2006, and the related statements of activities and changes in unrestricted net assets and cash flows for the years then ended. These financial statements are the responsibility of InTRAC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired as of September 30, 2007 and 2006, and the changes in its unrestricted net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

December 14, 2007

*Dunbar, Cook & Shepard, P.C.*

**INDIANA TELEPHONE RELAY ACCESS CORPORATION**  
**FOR THE HEARING AND SPEECH IMPAIRED**  
**(InTRAC)**  
**STATEMENTS OF FINANCIAL POSITION**  
**September 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 10,065	\$ 10,473
Investments - money funds	357,434	819,214
Estimated accounts receivable	274,341	260,292
Interest receivable	43,454	39,132
Other current assets	<u>5,415</u>	<u>6,556</u>
<b>TOTAL CURRENT ASSETS</b>	<b>690,709</b>	<b>1,135,667</b>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	53,199	49,859
Less accumulated depreciation	<u>(46,170)</u>	<u>(43,697)</u>
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>7,029</b>	<b>6,162</b>
<b>OTHER ASSETS</b>		
Deposits	1,000	1,000
Investments - other	<u>7,118,707</u>	<u>6,593,355</u>
<b>TOTAL OTHER ASSETS</b>	<b><u>7,119,707</u></b>	<b><u>6,594,355</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 7,817,445</u></b>	<b><u>\$ 7,736,184</u></b>
<b><u>LIABILITIES AND UNRESTRICTED NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 405,566	\$ 390,435
Accrued taxes	<u>3,863</u>	<u>2,202</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>409,429</b>	<b>392,637</b>
<b>UNRESTRICTED NET ASSETS</b>	<b><u>7,408,016</u></b>	<b><u>7,343,547</u></b>
<b>TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS</b>	<b><u>\$ 7,817,445</u></b>	<b><u>\$ 7,736,184</u></b>

**INDIANA TELEPHONE RELAY ACCESS CORPORATION**  
**FOR THE HEARING AND SPEECH IMPAIRED**  
(InTRAC)  
**STATEMENTS OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS**  
For the Years Ended September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>REVENUES</b>		
Local exchange carriers	\$ 1,063,623	\$ 1,113,594
Wireless carriers	<u>1,347,237</u>	<u>1,230,638</u>
TOTAL REVENUES	2,410,860	2,344,232
<b>DIRECT EXPENSES</b>		
Contract relay service	<u>2,283,780</u>	<u>2,280,917</u>
GROSS MARGIN	127,080	63,315
<b>PROGRAM EXPENSES</b>		
TTY equipment	123,373	121,879
TTY promotion	<u>12,646</u>	<u>9,619</u>
TOTAL PROGRAM EXPENSES	136,019	131,498
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Accounting	24,437	26,724
Advertising	125,268	103,251
Depreciation	1,473	1,408
Dues and subscriptions	2,500	1,625
Fringe benefits and other related employee expenses	37,777	27,161
Insurance expense	15,774	15,867
Interest expense	26	15
Interpreter fees	1,740	-
Investment advisory fees	42,113	39,611
Legal	15,867	9,094
Lobbyist expense	6,964	4,551
Meals	1,319	925
Meeting expense	3,319	1,472
Miscellaneous	1,048	1,783
Office rent	31,034	31,343
Office supplies	19,336	11,060
Outreach program	5,630	-
Public relations	13,200	15,948
Salaries	109,040	77,047
Telephone	9,767	8,722
Travel and entertainment	<u>7,999</u>	<u>2,139</u>
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	<u>475,631</u>	<u>379,746</u>
LOSS FROM OPERATIONS	(484,570)	(447,929)
<b>OTHER INCOME</b>		
Investment income	539,235	374,958
Rental income	<u>10,804</u>	<u>9,579</u>
TOTAL OTHER INCOME	<u>550,039</u>	<u>384,537</u>
CHANGES IN UNRESTRICTED NET ASSETS	65,469	(63,392)
<b>UNRESTRICTED NET ASSETS - BEGINNING</b>	<u>7,343,547</u>	<u>7,406,939</u>
UNRESTRICTED NET ASSETS - ENDING	<u>\$ 7,409,016</u>	<u>\$ 7,343,547</u>

**INDIANA TELEPHONE RELAY ACCESS CORPORATION**  
**FOR THE HEARING AND SPEECH IMPAIRED**  
**(InTRAC)**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended September 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in unrestricted net assets	\$ 64,469	\$ (63,392)
Adjustments to reconcile changes in unrestricted net assets to net cash used in operating activities:		
Depreciation	2,473	1,408
Gain on investments	(208,490)	(66,392)
Amortization of bond premiums	85,000	35,927
Decrease in estimated accounts receivable	(14,049)	758
Decrease (increase) in other current assets	(3,181)	15,672
(Increase) in accounts payable	15,131	(92,282)
Increase (decrease) in accrued expenses	<u>1,661</u>	<u>(62)</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	(56,986)	(168,363)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net change in money market funds	461,780	(33,884)
Purchase of investments	(2,341,753)	(3,448,247)
Proceeds on sale of investments	1,939,891	3,626,548
Purchase of furniture and equipment	<u>(3,340)</u>	<u>(5,399)</u>
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<u>56,578</u>	<u>139,018</u>
<b>NET DECREASE IN CASH</b>	(408)	(29,345)
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<u>10,473</u>	<u>39,818</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>\$ 10,065</u>	<u>\$ 10,473</u>
<b>SUPPLEMENTAL INFORMATION TO CASH FLOW STATEMENT</b>		
Interest expense	<u>\$ 26</u>	<u>\$ 15</u>

**INDIANA TELEPHONE RELAY ACCESS CORPORATION**  
**FOR THE HEARING AND SPEECH IMPAIRED**  
**(InTRAC)**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2007 and 2006**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**ORGANIZATION AND PURPOSE** - Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired (InTRAC) is an Indiana non-profit corporation established by state statute on February 25, 1991. Its purpose is to provide telephone relay service to hearing and speech-impaired persons throughout the state of Indiana. InTRAC's responsibility is to coordinate the efforts of the 42 Indiana telephone company members to comply with the laws of the Federal Communication Commission (FCC) concerning telephone relay service. In 1997, InTRAC initiated a program that provides text telephone (TTY) devices to persons with financial needs.

**METHOD OF ACCOUNTING** - InTRAC records revenue and expense using the accrual method of accounting.

**CASH AND CASH EQUIVALENTS** - For the purposes of the statements of cash flows, InTRAC considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. During the year, InTRAC held balances in excess of \$100,000 in a financial institution, which were not insured by the FDIC.

**CONCENTRATION OF CREDIT RISK** - InTRAC maintains its bank accounts with funds, at times, in excess of limits set and insured by the FDIC. Investments are maintained with other financial institutions with funds, at times, in excess of limits set and insured by the FDIC. InTRAC has not experienced any losses on such accounts. Management believes InTRAC is not exposed to any significant credit risk related to those accounts. At September 30, 2007 and 2006, respectively, InTRAC had invested \$5,833,366 and \$5,869,277 in money market funds and mutual funds. Balances in excess of \$500,000 are not insured by the SIPC.

**INVESTMENTS** - Investments are composed of money market funds, annuities and mutual funds investing in debt and fixed income securities, and individual debt securities. These investments are carried at market value. Bond premiums are being amortized over the life of the bond and charged against interest income.

**ESTIMATED ACCOUNTS RECEIVABLE** - All accounts receivable are from Local Exchange Carriers (LECs) or wireless companies and are comprised of charges that are expected to have been collected but not remitted to InTRAC. These receivables are unsecured and totaled \$274,341 and \$260,292 at September 30, 2007 and 2006, respectively. Because these receivables are estimated, it is possible, though not expected, that the estimated amount could change in the near term. Since the surcharge revenues are mandated by the Indiana Utility Regulatory Commission, no allowance for doubtful accounts has been established.

**PROPERTY AND EQUIPMENT** - Property and equipment are recorded at cost. Maintenance and repairs are expensed as incurred. It is the policy of InTRAC to capitalize cost of equipment which exceeds \$500. Depreciation is provided using straight-line and accelerated methods over the estimated useful lives of the assets. Depreciation expense for the years ended September 30, 2007 and 2006 was \$2,474 and \$1,408, respectively.

**INDIANA TELEPHONE RELAY ACCESS CORPORATION  
FOR THE HEARING AND SPEECH IMPAIRED**

**(InTRAC)**

**NOTES TO FINANCIAL STATEMENTS CONTINUED**

**September 30, 2007 and 2006**

**NOTE A - CONTINUED**

**BASIS OF PRESENTATION** - Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, InTRAC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. All net assets of InTRAC are unrestricted.

**ADVERTISING** - InTRAC has a policy of charging the costs of advertising to expense as incurred. Advertising expense for the years ended September 30, 2007 and 2006 was \$125,267 and \$103,251, respectively.

**REVENUE** - InTRAC's main source of funding is a surcharge of \$0.03 per access line which is levied monthly by LECs on all business and residential telephone access lines.

In addition, InTRAC has contracted with most of the wireless telephone companies to provide relay service. These contracts call for wireless customers to be assessed a surcharge equal to the surcharge assessed to LEC customers.

**INCOME TAXES** - InTRAC is exempt from taxation under Section 501(c)(4) of the Internal Revenue Code. Accordingly, no provision is made for federal income taxes on InTRAC's exempt activities.

**USE OF ESTIMATES** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE B - CONTRACTS AND COMMITMENTS**

InTRAC contracts with an independent contractor (Sprint) to provide all of the relay service, based on a per-minute charge. A contract was signed in October 2002, which will provide relay services through October 31, 2007.

InTRAC has committed to purchasing advertising from various media companies in the amount of \$26,800 and \$76,800 for 2007 and 2006, respectively.

**INDIANA TELEPHONE RELAY ACCESS CORPORATION**  
**FOR THE HEARING AND SPEECH IMPAIRED**  
**(InTRAC)**  
**NOTES TO FINANCIAL STATEMENTS CONTINUED**  
**September 30, 2007 and 2006**

**NOTE C - INVESTMENTS**

InTRAC's investments were comprised of the following at September 30, 2007:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Schwab Cash and Money Market Funds	\$ 357,434	\$ 357,434	\$ 357,434
Total Investments - money funds	357,434	357,434	357,434
Life insurance and annuities	1,400,000	1,642,775	1,642,775
U.S. Government obligations	1,457,148	1,397,213	1,397,213
Corporate obligations	1,459,834	1,500,405	1,500,405
CMOs and Asset-Backed Securities	266,469	341,750	341,750
Bond funds	216,140	221,254	221,254
Equity funds	1,222,908	1,385,657	1,385,657
Municipal bonds	<u>625,983</u>	<u>629,653</u>	<u>629,653</u>
Total Investments - other	<u>6,648,482</u>	<u>7,118,707</u>	<u>7,118,707</u>
Total	<u>\$7,005,916</u>	<u>\$7,476,141</u>	<u>\$7,476,141</u>

InTRAC's investments were comprised of the following at September 30, 2006:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Schwab Cash and Money Market Funds	\$ 819,214	\$ 819,214	\$ 819,214
Total Investments - money funds	819,214	819,214	819,214
Life insurance and annuities	1,400,000	1,543,292	1,543,292
U.S. Government obligations	1,400,485	1,394,312	1,394,312
Corporate obligations	1,783,816	1,768,997	1,768,997
CMOs and Asset-Backed Securities	539,521	530,553	530,553
Bond funds	159,305	159,687	159,687
Equity funds	649,547	703,335	703,335
Municipal bonds	<u>492,817</u>	<u>493,179</u>	<u>493,179</u>
Total Investments - other	<u>6,425,491</u>	<u>6,593,355</u>	<u>6,593,355</u>
Total	<u>\$7,244,705</u>	<u>\$7,412,569</u>	<u>\$7,412,569</u>



**INDIANA TELEPHONE RELAY ACCESS CORPORATION**  
**FOR THE HEARING AND SPEECH IMPAIRED**  
**(InTRAC)**  
**NOTES TO FINANCIAL STATEMENTS CONTINUED**  
**September 30, 2007 and 2006**

**NOTE C - CONTINUED**

Investment income consisted of the following at September 30:

	<u>2007</u>	<u>2006</u>
Realized gain on investments	\$ 72,545	\$ 24,813
Unrealized gain on investments	135,935	41,579
Dividend and interest income	<u>330,755</u>	<u>308,566</u>
	<u>\$ 539,235</u>	<u>\$ 374,958</u>

**NOTE D - LEASES**

InTRAC entered into a lease agreement on November 1, 2002 for administrative office space, expiring on October 31, 2007. Total office rent expense for the years ended September 30, 2007 and 2006 was \$31,034 and \$31,343, respectively. Future minimum lease rentals for the year ending September 30, 2008 are \$2,654.

InTRAC sublets a portion of its leased facility to Sprint Communications Company, L.P. on a month-to-month basis.

**NOTE E - PENSION PLAN**

InTRAC adopted a 403(b) retirement plan covering all eligible employees. The contribution made by InTRAC is in the amount of 10 percent of the employee's salary. Retirement plan expense was \$8,794 and \$7,750 for the years ended September 30, 2007 and 2006, respectively.

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INDIANA UTILITIES  
REGULATORY COMMISSION

**Indiana Telephone Relay Access Corporation  
For the Hearing and Speech Impaired**

**(InTRAC)**

**Projected Statements of Cash Flows**

**Indiana Telephone Relay Access Corporation  
For the Hearing and Speech Impaired**

**(InTRAC)**

Indianapolis, Indiana

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6296 Rucker Road, Suite G  
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To the Board of Directors  
Indiana Telephone Relay Access Corporation for  
the Hearing and Speech Impaired (InTRAC)

We have compiled the accompanying projected statements of cash flows for the years ending September 30, 2008, 2009 and 2010, in accordance with the guidelines established by the American Institute of Certified Public Accountants.

The accompanying projected cash flows statement presents, to the best of management's knowledge and belief, InTRAC's projected cash flows for the projection periods that would result if relay costs and surcharge revenues are as described in the list of assumptions. Financial position and results of operations are not intended to be projected. These projected cash flows statements were prepared for the InTRAC Board of Directors and are intended to be used by InTRAC to satisfy its obligation under Section 8-1-2.8-21(3) of the Indiana Code to file reasonable projections of anticipated funding requirements with the Indiana Utility Regulatory Commission and should not be used for any other purpose.

A compilation is limited to presenting projected information that is the representation of management and does not include evaluation of the support for the assumptions underlying such information. We have not examined the projected statements of cash flows and accordingly, do not express an opinion or any other form of assurance on the accompanying statements. Furthermore, there will usually be differences between projections and the actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update our report for events and circumstances occurring after the date of this report.

We are not independent with respect to Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired.

*Kehlenbrink, Lawrence & Pauckner*

April 25, 2008

# InTRAC

## Projected Statements of Cash Flows

	For the Years Ending September 30,		
	2008	2009	2010
Cash Provided by			
Local exchange carriers	\$ 957,240	\$ 899,640	\$ 845,640
Wireless service providers	1,643,400	1,807,920	1,988,640
Investment income	424,413	437,420	441,876
Total	3,025,053	3,144,980	3,276,156
Cash Used by			
Relay service expense	2,260,012	2,280,767	2,545,833
Advertising costs	145,000	150,000	160,000
Other operating expenses	369,400	350,400	350,400
Program costs	119,000	130,350	139,925
Total	2,893,412	2,911,517	3,196,158
Net Change in Cash and Cash Equivalents	131,641	233,463	79,998
Beginning Cash and Cash Equivalents	7,486,206	7,617,847	7,851,310
Ending Cash and Cash Equivalents	\$ 7,617,847	\$ 7,851,310	\$ 7,931,308

See accompanying summary of significant projection assumptions and accounting policies and accountants' report.

## InTRAC

### Summary of Significant Projection Assumptions and Accounting Policies

#### General

This financial projection of cash flow presents, to the best of management's knowledge and belief, the expected results of cash flows for the projection period. Accordingly, the projection reflects management's judgement as of April 25, 2008, the date of this projection, of the expected conditions and its expected course of action. The presentation is designed to provide information for the InTRAC Board of Directors and the Indiana Utility Regulatory Commission and cannot be considered to be a presentation of expected future results. Accordingly, this projection may not be useful for other purposes. The assumptions disclosed herein are those that management believes are significant to the projection. There will usually be differences between projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

#### Significant Accounting Policies

The summary of significant accounting policies are as stated on pages 5 and 6 in the historical audited financial statement for the year ended September 30, 2007 set forth in this document.

#### Revenue

The monthly surcharge that funds InTRAC's operations is \$.03.

The surcharge will be assessed on an average of 2,659,000 wire lines in the projection year ending September 30, 2008. Based on the change in access lines between the periods of January 2008 and January 2007, it is assumed that these lines will decrease at an annual rate of 6.0% from September 30, 2007 forward.

The surcharge will be assessed on an average of 4,565,000 wireless customers in the projection year ending September 30, 2008. A comparison of wireless customers at January 2008 and January 2007 indicates annual growth rates of approximately 10.0%. Accordingly, we have assumed that wireless customers will grow at a rate of 10.0% in the years ending September 30, 2008, 2009, and 2010.

Revenue calculations for the projection year ending September 30, 2008 are as follows:

LEC Customers	2,659,000 X \$.03 X 12	= \$ 957,240
Wireless Customers	4,565,000 X \$.03 X 12	= \$ 1,643,400

## **InTRAC**

### **Summary of Significant Projection Assumptions and Accounting Policies**

#### Revenue (Continued)

Based on the annual rate of return on investments for the eighteen month period ended September 30, 2007 as compared to an assumed risk free rate of return for invested funds, it is assumed that invested cash reserves will provide a 5.9% annual rate of return. Excess cash reserves will be invested in mutual funds investing in debt, equity and fixed income securities; in corporate and government bonds; and in annuities.

#### Relay Service Expense

The cost of relay service will be based on minutes of use at a cost per minute of \$.86 for October 2007 through October 2009 based on the contract that expires in October 2009. For November 2009 through September 2010, the cost per minute is expected to be \$.90. Based on the yearly change in billable minutes through September 2007, it is estimated that billable minutes will decrease annually at a rate of 12.0% throughout the projection period. Estimated billable minutes for the projection year ending September 30, 2008 will be 1,706,000.

The cost of providing service for captioned telephones will be based on minutes of use at a cost per minute of \$1.45 for October 2007 through October 2009 based on the contract that expires in October 2009. For November 2009 through September 2010, the cost per minute is expected to be \$1.65. Based on the projected number of captioned telephones in service over the next three years, it is estimated that billable minutes will increase at rates of 28%, 25%, and 22%. Estimated billable minutes for the projection year ending September 30, 2008 will be 544,808.

#### Administrative Expenses

The annual cost of the administration of InTRAC is estimated to be \$514,400, \$500,400, and \$510,400 for the years ending in 2008, 2009, and 2010, respectively. This includes \$145,000, \$150,000, and \$160,000 that will be budgeted for advertising.

#### Equipment Program Costs

InTRAC purchases equipment for those hearing and speech impaired individuals who are financially unable to purchase the equipment themselves. Several choices are now available that allow for different technological applications. Individual unit costs range from \$253 to \$555.

## **InTRAC**

### **Summary of Significant Projection Assumptions and Accounting Policies**

#### Other Considerations

Cash and cash equivalents are defined as deposits maintained in various bank accounts or any other temporary investment made with excess cash.

Funding for the provision of Video Relay Services, Internet Relay Services, and Web CapTel Services is currently provided through the National Exchange Carrier Association. Funding for these services will shift to the state level sometime in the future. The timing of this shift is unknown currently.

The assumptions disclosed are not necessarily all-inclusive.